

TOWN OF FRAMINGHAM, MASSACHUSETTS

Financial Statements

For the Year Ended June 30, 2000

(With Independent Auditors' Report Thereon)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Group	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental Fund Types and Expendable Trust Funds	4
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	5
Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds	6
Statement of Changes in Plan Net Assets - Pension Trust Fund	7
Statement of Cash Flows - All Proprietary Fund Types	8
Notes to Financial Statements	9
SUPPLEMENTARY SCHEDULES:	
Combining Balance Sheet - All Enterprise Funds	31
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - All Enterprise Funds	32
Contributory Retirement System	33



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

377 Main Street • Suite 2
Greenfield, MA 01301-2546
Tel (413) 772-2546 • Fax (413) 772-2547

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Framingham, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Framingham, Massachusetts, as of and for the year ended June 30, 2000 (December 31, 1999 for the Contributory Retirement System), as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Town prepares its general purpose financial statements using accounting principles which are in conformity with the Uniform Municipal Accounting System promulgated by the Commonwealth of Massachusetts Department of Revenue. These accounting principles differ in certain respects from generally accepted accounting principles, primarily in the areas of accounting for fixed assets and recording of the expense and liability related to compensated absences. The effects of these differences on the accompanying general purpose financial statements have not been quantified.

The Town has established separate Water and Sewer and Arena Enterprise Funds. However, certain assets, such as inventory and capital projects, and certain accrued liabilities, such as compensated absences, have not been recorded as required by generally accepted accounting principles for enterprise funds.

Additional Offices:

Nashua, NH • Ellsworth, ME • Andover, MA

In our opinion, except for the effects of the items described in the third and fourth paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Framingham, Massachusetts, as of June 30, 2000 (and December 31, 1999 for the Contributory Retirement System), and the results of its operations and cash flows of its proprietary fund types for the year(s) then ended in conformity with generally accepted accounting principles.

The supplementary schedules presented on pages 31 and 32 are presented for the purpose of additional analysis and are a not required part of the general purpose financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary pension information on page 33 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2000 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Melanson, Heath & Company, P.C.
Greenfield, Massachusetts
November 10, 2000

TOWN OF FRAMINGHAM, MASSACHUSETTS

Combined Balance Sheet -
All Fund Types and Account Group

June 30, 2000
(December 31, 1999 for the Contributory Retirement System)

ASSETS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Group General Long- Term Debt	Totals (Memorandum Only)	Contributory Retirement System as of 12/31/99
	General	Special Revenue	Capital Projects	Enterprise	Internal Service				
Cash and cash equivalents	\$ 5,766,832	\$ 4,821,174	\$ 6,289,322	\$ 4,928,561	\$ 2,238,567	\$ 6,255,729	\$ -	\$ 30,300,185	\$ 75,870
Investments	-	-	-	-	-	2,470,562	-	2,470,562	147,495,458
Receivables:									
Property taxes	2,885,313	-	-	-	-	-	-	2,885,313	-
Tax liens and foreclosures	3,166,251	-	-	603,153	-	-	-	3,769,404	-
Excises	1,744,007	-	-	-	-	-	-	1,744,007	-
Utility, net	-	-	-	4,984,104	-	-	-	4,984,104	-
Other receivables	180,445	136,215	-	-	-	-	-	316,660	643
Due from other governments	-	967,087	-	-	-	-	-	967,087	-
Prepaid expense	6,023,613	-	-	-	-	-	-	6,023,613	-
Other assets	21,758	-	-	-	-	4,776,501	-	4,798,259	-
Fixed assets, net	-	-	-	35,425,908	-	-	-	35,425,908	-
Construction in progress	-	-	-	1,436,390	-	-	-	1,436,390	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-	-	-	32,275,444	32,275,444	-
Amount to be provided by Commonwealth	-	-	-	-	-	-	35,331,879	35,331,879	-
Total Assets	\$ 19,788,219	\$ 5,924,476	\$ 6,289,322	\$ 47,378,116	\$ 2,238,567	\$ 13,502,792	\$ 67,607,323	\$ 162,728,815	\$ 147,571,971
LIABILITIES AND FUND EQUITY									
Liabilities:									
Warrants payable	\$ 1,299,031	\$ 733,142	\$ 50,226	\$ 238,129	\$ 1,171	\$ 15,524	\$ -	\$ 2,337,223	\$ -
Accounts payable	93,840	7,699	248,789	-	-	31,127	-	381,455	-
Deferred revenue	7,662,650	-	-	-	-	-	-	7,662,650	3,444,008
Accrued payroll and withholdings	3,204,630	261,823	103	37,855	-	-	-	3,504,211	-
Other liabilities	311,992	-	-	288,699	-	577,816	-	1,178,407	-
Deposits held	-	-	-	-	-	6,397,168	-	6,397,168	-
Tax refund reserve	1,877,642	-	-	-	-	-	-	1,877,642	-
Note payable	-	-	720,500	-	-	-	-	720,500	-
Bonds payable	-	-	-	1,236,598	-	-	67,515,000	68,751,598	-
Capital lease obligations	-	-	-	-	-	-	92,323	92,323	-
Accrued claims liability	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 14,449,685	\$ 1,002,664	\$ 1,019,618	\$ 1,801,081	\$ 2,669,898	\$ 7,021,635	\$ 67,607,323	\$ 95,573,075	\$ 3,444,008
Fund Equity:									
Contributed capital	-	-	-	27,288,649	-	-	-	27,288,649	-
Retained earnings	-	-	-	16,101,748	(432,502)	-	-	15,669,246	-
Fund balance:									
Reserved for retirement	-	-	-	-	-	-	-	-	144,127,963
Reserved for encumbrances	1,762,553	-	-	2,186,638	-	-	-	3,949,191	-
Reserved for expenditures	2,461,796	-	-	-	-	-	-	2,461,796	-
Reserved for endowments	-	-	-	-	-	387,581	-	387,581	-
Unreserved, undesignated	1,114,185	4,921,912	5,269,704	-	-	6,093,576	-	17,399,277	-
Total Fund Equity	\$ 5,338,534	\$ 4,921,812	\$ 5,269,704	\$ 45,577,035	\$ (432,502)	\$ 6,481,157	\$ -	\$ 67,155,740	\$ 144,127,963
Total Liabilities and Fund Equity	\$ 19,788,219	\$ 5,924,476	\$ 6,289,322	\$ 47,378,116	\$ 2,238,567	\$ 13,502,792	\$ 67,607,323	\$ 162,728,815	\$ 147,571,971

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Combined Statement of Revenues, Expenditures, and
Changes in Fund Equity
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary Fund Types	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	Memorandum Only
Revenues:					
Property taxes	\$ 91,310,773	\$ -	\$ -	\$ -	\$ 91,310,773
Excise	6,828,455	-	-	-	6,828,455
Penalties, interest and other taxes	2,039,656	-	-	-	2,039,656
Intergovernmental	34,753,272	10,937,080	-	-	45,690,352
Charges for services	4,246,956	4,736,836	-	134,676	9,118,468
Investment income	1,093,911	-	-	568,188	1,662,099
Licenses and permits	2,033,027	-	-	-	2,033,027
Fines and forfeitures	408,222	-	-	-	408,222
Miscellaneous	168,284	130,196	3,671	-	302,151
Contributions	-	168,906	-	82,344	251,250
Total Revenues	142,882,556	15,973,018	3,671	785,208	159,644,453
Expenditures:					
Current:					
General government	5,916,917	1,404,494	814,372	8,211	8,143,994
Public safety	17,931,317	2,358,467	589,532	75,145	20,954,461
Education	76,481,375	8,371,423	10,569,623	-	95,422,421
Public works	7,152,219	2,101,144	1,224,741	166,853	10,644,957
Human services	938,803	130,824	-	-	1,069,627
Culture and recreation	3,273,204	496,719	143,705	35,814	3,949,442
Employee benefits	20,777,272	-	-	-	20,777,272
Debt service	6,825,027	-	-	-	6,825,027
Intergovernmental	2,063,580	-	-	-	2,063,580
Total Expenditures	141,359,714	14,863,071	13,341,973	286,023	169,850,781
Excess (deficiency) of revenues over expenditures	1,522,842	1,109,947	(13,338,302)	499,185	(10,206,328)
Other Financing Sources (Uses):					
Operating transfers in	555,640	25,000	25,000	-	605,640
Operating transfers (out)	(155,648)	(373,339)	-	(182,301)	(711,288)
Bond proceeds	-	-	19,200,000	-	19,200,000
Total Other Financing Sources (Uses)	399,992	(348,339)	19,225,000	(182,301)	19,094,352
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,922,834	761,608	5,886,698	316,884	8,888,024
Fund Balance, July 1, 1999	3,415,700	4,160,204	(616,994)	5,776,692	12,735,602
Fund Balance, June 30, 2000	5,338,534	4,921,812	5,269,704	6,093,576	21,623,626

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Revenues and Other Sources, and Expenditures and Other Uses Budget and Actual - General Fund

For the Year Ended June 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Property taxes	\$ 91,484,015	\$ 91,484,015	\$ -
Excise	6,250,000	6,828,455	578,455
Penalties, interest and other taxes	1,821,700	2,039,656	217,956
Charges for services	4,301,880	4,246,956	(54,924)
Intergovernmental	23,373,241	23,383,640	10,399
Licenses and permits	1,843,800	2,033,027	189,227
Fines and forfeitures	435,000	408,222	(26,778)
Interest	1,000,000	1,093,911	93,911
Miscellaneous	34,300	168,284	133,984
Transfers in	557,301	555,640	(1,661)
Other sources	<u>2,081,472</u>	<u>2,081,472</u>	<u>-</u>
Total Revenues and Other Sources	133,182,709	134,323,278	1,140,569
Expenditures and Other Uses:			
General government	6,524,092	6,033,848	490,244
Public safety	18,393,164	17,994,717	398,447
Education	65,925,513	65,807,179	118,334
Public works	7,574,955	7,358,821	216,134
Human services	963,274	939,861	23,413
Culture and recreation	3,271,533	3,264,896	6,637
Employee benefits	20,871,019	20,824,308	46,711
Debt service	7,097,254	6,825,027	272,227
Intergovernmental	2,205,017	2,063,580	141,437
Transfers out	146,890	155,648	(8,758)
Other uses	<u>209,998</u>	<u>209,998</u>	<u>-</u>
Total Expenditures and Other Uses	133,182,709	131,477,883	1,704,826
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>2,845,395</u>	\$ <u>2,845,395</u>

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Revenues, Expenses and
Changes in Fund Equity - All Proprietary Fund
Types and Similar Trust Funds

For the Year Ended June 30, 2000
(December 31, 1999 for the Contributory Retirement System)

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Revenues:		
Charges for services	\$ 16,533,467	\$ 16,628,010
Total Operating Revenue	16,533,467	16,628,010
Operating Expenses:		
Salary and wages	2,155,978	-
Operating expenses	1,107,563	-
Depreciation	1,178,437	-
Intergovernmental	10,806,498	-
Indirect costs	1,586,317	-
Other expenses	340,693	-
Property claims	-	225,672
Benefits paid	-	15,705,481
Total Operating Expenses	17,175,486	15,931,153
Operating income (loss)	(642,019)	696,857
Nonoperating Income (Expense):		
Net investment income	89,163	154,300
Interest expense	(134,705)	-
Loss on disposition of fixed assets	(6,667)	-
Total Nonoperating Income (Expense)	(52,209)	154,300
Net income (loss)	(694,228)	851,157
Depreciation on assets required with contributed capital	751,877	-
Operating transfer in	56,320	49,328
Increase (decrease) in retained earnings/fund equity	113,969	900,485
Fund Equity, beginning of year, restated	18,174,417	(1,332,987)
Fund Equity, end of year	\$ 18,288,386	\$ (432,502)

See accompanying notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Changes in Plan Net Assets
Pension Trust Fund

Year Ended December 31, 1999

Additions:

Contributions:

Employers	\$ 6,917,000
Plan members	2,935,024
Reimbursements from Federal grants	45,266
Reimbursements from Commonwealth of Massachusetts	902,411
Reimbursements from other systems	597,445
Total contributions	<u>11,397,146</u>

Investment Income:

Interest and dividends	7,296,269
Realized gain/(loss)	7,658,330
Unrealized appreciation in market value	6,532,772
Less: management fees	(312,705)
Net investment income	<u>21,174,666</u>

Total additions 32,571,812

Deductions:

Benefit payments to plan members and beneficiaries	10,671,378
Reimbursements to other systems	264,236
Refunds and transfers of plan member accounts to other system	593,514
Administrative expenses	156,574
Total deductions	<u>11,685,702</u>

Net increase (decrease) 20,886,110

Net assets held in trust for pension benefits:

Beginning of year	<u>123,241,853</u>
End of year	<u>\$ 144,127,963</u>

See accompanying notes to general purpose financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended June 30, 2000

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash Flows From Operating Activities:		
Operating income (loss)	\$ (642,019)	\$ 696,857
Adjustments to reconcile operating income to net cash:		
Provided for operating activities:		
Depreciation	1,178,437	-
(Increase) decrease in current assets:		
Accounts and notes receivable, net	1,099,632	-
Increase (decrease) in current liabilities:		
Warrants payable	38,522	1,171
Accrued claims liability	-	(1,373,256)
Refunds payable	108,732	-
Accrued payroll	16,010	-
Other liabilities	(16,650)	-
Net cash provided from operating activities	1,782,664	(675,228)
Cash Flows for Investing Activities:		
Contribution income		
Investment income	89,163	154,300
Interest expense	(134,705)	-
Operating transfer in	56,320	49,328
Net cash provided from investing activities	10,778	203,628
Cash Flows for Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(975,635)	-
Principal repayments	(274,578)	-
Net cash used for capital and related financing activities	(1,250,213)	-
Net increase (decrease) in cash	543,229	(471,600)
Cash and cash equivalents, July 1, 1999	4,385,332	2,710,167
Cash and cash equivalents, June 30, 2000	\$ 4,928,561	\$ 2,238,567

See accompanying notes to financial statements.

Town of Framingham, Massachusetts
Notes to General Purpose Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Framingham (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2000, it was determined that no entities met the required GASB-14 criteria of component units.

B. Basis of Presentation - Fund Accounting

For reporting purposes, the financial activities of the Town are accounted for through the use of several funds and account groups. Each fund is a separate accounting entity with self-balancing accounts. The following types of funds and account groups are used by the Town:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in fiduciary and proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the Town's governmental fund types:

General Fund - To account for all financial activities of the Town, except those required to be accounted for in another fund. Most revenues and expenditures of a general governmental nature are accounted for in this fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for special purposes.

Capital Project Funds - Transactions related to resources obtained and used for the acquisition, construction, or improvement of major capital facilities are accounted for in capital project funds. Such resources are derived principally from proceeds of general obligation bond issues and from Federal and State grants.

Proprietary Fund Types

Proprietary funds are used to account for the Town's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the Town's proprietary fund types:

Enterprise Funds - To account for operations which are supported primarily by user charges.

Internal Service Funds - To account for goods or services provided by one Town department or agency to other Town departments or agencies. The Town accounts for its self-insured health insurance fund and vehicle management fund as internal service funds.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Town in a trustee capacity. The Town maintains the following fiduciary fund types:

Expendable Trust Funds - These funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds are used to account for assets held by the Town in a trustee capacity. The principal balance cannot be spent; however, investment earnings may be spent for intended purposes.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Pension Trust Fund - This fund is used to account for the accumulation of assets used to fund current and future pension benefits.

Account Groups

Account groups are used to establish accounting control and accountability for the Town's general long-term obligations. The following account group is maintained by the Town.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the Town, except for debt issued through proprietary funds.

C. Basis of Accounting

The basis of accounting used for each fund is as follows:

Modified Accrual Basis (Governmental, Expendable Trust and Agency Funds)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is applied in all governmental, expendable trust and agency fund types. Accordingly, revenues are recorded when susceptible to accrual, that is, both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property tax revenue available if received within 60 days after the close of the fiscal year. All other amounts not received during that period are deferred and recognized in future accounting periods.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues: (1) revenues recognized based upon the expenditures recorded, and (2) revenues recognized at the time of receipt or earlier, if the susceptible to accrual criteria is met.

Other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures, except for interest on long-term debt which is recorded when due, and vacation, sick and pension costs because these amounts are not expected to be relieved within the current accounting period, are recorded when the related fund liability is incurred.

Accrual Basis (Proprietary and Nonexpendable Trust Funds)

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are

included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is used by proprietary and nonexpendable trust funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Town has elected to apply to these funds accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under earnings on investments.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investment available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. All Town investments are recorded at fair market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue the Town can derive from property taxes. The prior fiscal year's tax levy limit

is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2000 tax levy reflected an excess capacity of \$ 6,504.

G. Fixed Assets

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary and similar trust funds of the government using the straight-line method over the following estimated useful lives:

<u>Enterprise Fund</u>	<u>Years</u>
Buildings	25 - 50
Infrastructure	30 - 100
Equipment	10 - 25
Vehicles	6

H. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

I. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, or other funds.

J. Encumbrance Accounting and Reporting

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

K. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

L. Non-expendable Trust Funds

No statement of revenue, expenses and changes in fund equity or statement of cash flows is presented for the non-expendable trust funds as there was no activity in fiscal year 2000.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the Town's financial statements from generally accepted accounting principles are as follows:

- General fixed asset acquisitions (non-enterprise) are not capitalized in a general fixed asset group of accounts.
- The Town does not report the total accumulated employee compensated absences as a liability.
- The Town has established separate Water and Sewer and Arena Enterprise Funds; however, certain assets, such as inventory and capital projects, and certain liabilities, such as accrued compensated absences, have not been recorded in accordance with generally accepted accounting principles. The amount by which the actual value for these accounts varies from amounts recorded cannot be determined at this time.

3. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses,

the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund appropriation appearing on page 5 of the financial statements represents the final amended budget of the Town and was authorized as follows:

2000 annual appropriations	\$ 130,495,358
2000 supplemental appropriations	176,600
Statutory County and State assessments	2,051,884
Other uses legally required to be raised	<u>458,867</u>
Total Appropriation	\$ <u>133,182,709</u>

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 142,882,556	\$ 141,359,714
Other financing sources/uses (GAAP basis)	555,640	155,648
Adjust tax revenue to accrual basis	173,242	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(640,398)
Add end of year appropriation carryforwards to expenditures	-	1,762,553
To reverse the effect of non-budgeted State contributions for teachers retirement	(11,369,632)	(11,369,632)
Recognize use of fund balance as funding source/use	<u>2,081,472</u>	<u>209,998</u>
Budgetary basis	\$ <u>134,323,278</u>	\$ <u>131,477,883</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2000:

Capital Project Funds:	
Danforth Art Museum	\$ 286,904
Ice Rink	94,706
Internal Service Fund:	
Self insurance fund	634,886

The deficits in these funds will be eliminated through future bond proceeds and transfers from other funds.

4. Cash and Cash Equivalents

The carrying amount of the Town's and Retirement System's deposits with financial institutions at June 30, 2000 and December 31, 1999 was \$ 30,300,185 and \$ 75,870, respectively. The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

	Town Deposits June 30, 2000	Retirement System Deposits December 31, 1999
Amount insured by the FDIC and DIFM, or collateralized with securities held by the Town in its name	\$ 5,779,370	\$ 100,000
Uncollateralized	1,862,668	484,344
State investment pool	<u>23,937,672</u>	<u>58,644</u>
Total Bank Balance	\$ <u>31,579,710</u>	\$ <u>642,988</u>

5. Investments

The Town's investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Town or its agent in the Town's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

At year end, the government's investment balances were as follows (in thousands):

	Category			Market Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Common stock	\$ 5	\$ -	\$ -	\$ 5
Government obligations	-	-	548	548
Equities	-	-	1,315	1,315
Investments not subject to categorization:				
Mutual funds				<u>603</u>
Total Investments				\$ <u>2,471</u>

At December 31, 1999, the Retirement System's investment balances were as follows (in thousands):

	Category			Market Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Fixed income	\$ -	\$ -	\$ 1	\$ 1
Investments not subject to categorization:				
Mutual funds				89,779
State investment pool/ PRIT Capital Fund				<u>57,715</u>
Total Investments				\$ <u>147,495</u>

6. Taxes Receivable

Real and personal property taxes are based on assessed values as of the previous January 1 and are normally due on a quarterly basis. By law, all taxable property must be assessed at 100% of fair cash value. Taxes due and unpaid after the due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for unpaid taxes.

The following is a summary of the property tax calendar used for the 2000 tax levies:

June 29, 1999:

The first quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

August 2, 1999:

The first quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

September 29, 1999:

The second quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

November 1, 1999:

The second quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

December 30, 1999:

The third quarter real estate and personal property tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the current tax levy.

February 1, 2000:

The third quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

March 31, 2000:

The fourth quarter real estate and personal property tax bills are mailed to taxpayers. This bill is equal to the remainder of the current tax levy.

May 1, 2000:

The fourth quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

Fourteen days after the due date for the fourth quarter tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property.

Taxes receivable at June 30, 2000 consist of the following (in thousands):

Real Estate		
2000	\$ 1,749	
1999	247	
1998	89	
Prior	<u>243</u>	
		2,328
Personal Property		
2000	129	
1999	137	
1998	117	
Prior	<u>174</u>	
		<u>557</u>
Total		\$ <u>2,885</u>

7. Utility Receivables

The utility receivable balance is presented net of an allowance for uncollectible accounts of \$ 699,426.

8. Due From Other Governments

This balance represents amounts requested from Federal and State agencies as reimbursement for expenditures incurred in fiscal year 2000.

9. Prepaid Expense

This balance represents the Town's fiscal year 2001 retirement assessment which was paid on June 30, 2000.

10. Property, Plant and Equipment

The following is a summary of the changes in proprietary fund type property, plant and equipment for fiscal year 2000 (in thousands):

	Balance June 1999 (Restated)	Addi.	Retire.	Trans.	Balance June 2000	Accum. Depreci. June 2000	Net Book Value
<u>Arena</u>							
Land	\$ 407	\$ -	\$ -	\$ -	\$ 407	\$ -	\$ 407
Buildings	695	-	-	-	695	430	265
Equipment	285	38	-	-	323	90	233
Vehicles	<u>104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>42</u>	<u>62</u>
Total Arena	1,491	38	-	-	1,529	562	967

(continued)

(continued)

	Balance June 1999 (Restated)	Addi.	Retire.	Trans.	Balance June 2000	Accum. Depreci. June 2000	Net Book Value
<u>Sewer</u>							
Land	135	-	-	-	135	-	135
Buildings	2,964	169	-	-	3,133	1,678	1,455
Infrastructure	19,516	297	-	2,112	21,925	11,011	10,914
Equipment	395	12	-	-	407	238	169
Vehicles	743	26	(25)	-	744	568	176
Construction in progress	<u>3,163</u>	<u>163</u>	<u>-</u>	<u>(2,112)</u>	<u>1,214</u>	<u>-</u>	<u>1,214</u>
Total Sewer	26,916	667	(25)	-	27,558	13,495	14,063
<u>Water</u>							
Land	98	-	-	-	98	-	98
Buildings	104	-	-	-	104	80	24
Infrastructure	30,448	468	(121)	1,430	32,225	10,946	21,279
Equipment	244	24	-	-	268	221	47
Vehicles	575	33	(27)	-	581	419	162
Construction in progress	<u>1,425</u>	<u>227</u>	<u>-</u>	<u>(1,430)</u>	<u>222</u>	<u>-</u>	<u>222</u>
Total Water	<u>32,894</u>	<u>752</u>	<u>(148)</u>	<u>-</u>	<u>33,498</u>	<u>11,666</u>	<u>21,832</u>
Total Enterprise Funds	<u>\$ 61,301</u>	<u>\$ 1,457</u>	<u>\$ (173)</u>	<u>\$ -</u>	<u>\$ 62,585</u>	<u>\$ 25,723</u>	<u>\$ 36,862</u>

The beginning balance has been restated to include Arena fixed assets that were previously not quantified or included and to include all construction in progress balances in the Sewer fund.

11. Amount to be Provided by Commonwealth

The balance in this account represents the portion of bonds payable expected to be reimbursed through the Commonwealth's School Building Assistance Bureau (SBAB). SBAB reimburses the Town for 90 percent of certain qualifying bond issues. These reimbursements are subject to annual appropriations by the State legislature.

12. Warrants and Accounts Payable

Warrants payable represent 2000 expenditures paid by July 15, 2000 as permitted by law. Accounts payable represent additional 2000 expenditures paid after July 15, 2000.

13. Deferred Revenue

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2000 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The Town's statutory "allowance for abatements and exemptions" (overlay) account, with a balance of \$ 2,594,496 has been reclassified to deferred revenue for reporting purposes.

14. Other Liabilities

This balance consists primarily of unclaimed items (tailings).

15. Tax Refund Reserve

This balance consists of refunds issued during July and August 2000 and an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the State Appellate Tax Board.

16. Anticipation Notes Payable

The Town had the following note outstanding at June 30, 2000:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2000</u>
Bond anticipation	4.82%	6/22/00	3/22/01	<u>\$ 720,500</u>

17. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. The bonds reported in the proprietary funds are expected to be repaid from proprietary fund revenues. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2". General obligation bonds currently outstanding are as follows:

<u>Governmental Funds:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2000</u>
General obligation	9/04	4.35	\$ 870,000
General obligation	6/05	4.33	960,000
General obligation	7/07	4.43	3,750,000
General obligation	10/14	5.90	12,065,000
General obligation	3/15	4.94	11,670,000
General obligation	2/19	4.33	19,000,000
General obligation	3/20	5.51	<u>19,200,000</u>
Total Governmental			67,515,000
<u>Proprietary Funds:</u>			
Sewer bond (MWRA)	2/02	0.00	58,500
Water bond (MWRA)	8/02	0.00	451,242
Sewer bond	9/04	4.35	380,000
Sewer bond (MWPAT)	6/15	2.54	<u>346,856</u>
Total Proprietary			<u>1,236,598</u>
Total All Debt			<u>\$ 68,751,598</u>

B. State Revolving Loans

The Massachusetts Water Resource Authority (MWRA) sponsors a no interest loan program for use by Massachusetts communities to improve their water and sewer systems.

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. In Massachusetts, the loans are administered by the Massachusetts Water Pollution Abatement Trust (MWPAT) and are used by local communities to improve their sewer systems.

C. Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2000 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 5,035,000	\$ 3,360,441	\$ 8,395,441
2002	4,910,000	3,125,928	8,035,928
2003	4,910,000	2,890,987	7,800,987
2004	4,930,000	2,655,287	7,585,287
2005	4,675,000	2,419,584	7,094,584
Thereafter	<u>43,055,000</u>	<u>14,941,555</u>	<u>57,996,555</u>
Total	\$ <u>67,515,000</u>	\$ <u>29,393,782</u>	\$ <u>96,908,782</u>
<u>Proprietary</u>			
2001	\$ 275,294	\$ 27,330	\$ 302,624
2002	271,060	22,846	293,906
2003	242,627	18,851	261,478
2004	93,084	14,717	107,801
2005	94,015	10,506	104,521
Thereafter	<u>260,518</u>	<u>48,268</u>	<u>308,786</u>
Total	\$ <u>1,236,598</u>	\$ <u>142,518</u>	\$ <u>1,379,116</u>

D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2000 are as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer	\$ 20,000
School	109,000
Main library repair	500
Woodrow Wilson	331
Cameron School	500,357

(continued)

(continued)

<u>Purpose</u>	<u>Amount</u>
Rubbish packer	30
Kennel repair	177,600
Fire alarm pickup truck	86
Roof beams	95,000
Danforth Museum	300,000
Restroom Memorial Building	25,000
Carpet - main library	102,585
Windows - Concord Street	150,000
High school renovation	54,000,000
Sidewalk replacement	150,000
Pratt Street gara demo	50,000
Roosevelt school demo	200,000
Memorial building feasibility study	50,000
Juniper Hill roof	612,000
Polling equipment	64,000
Engine 2 fire pump	370,000
Sct. paks/backframe	137,625
Water Street windows	115,000
Pickup truck	31,565
Danforth park rst.	53,500
GVW dump truck	79,000
Rubbish truck	154,960
Backhoe	82,992
Pickup with sander	36,971
GVW dump truck	51,578
Park Street drainage	300,000
Radio system	45,000
Barbieri wall	150,000
Juniper Hill library	313,000
Park and school fences	409,425
Special assessment - Carter, Woodstock and Doeskin Drives	<u>2,000,000</u>
Total	<u>\$ 60,937,105</u>

E. Overlapping Debt

The Town's proportionate share of debt of other governmental units which provide services within the Town's boundaries and which must be borne by the resources of the Town is summarized below (in thousands, unaudited):

<u>Related Entity</u>	<u>Principal</u>	<u>Town's Estimated Share</u>
MBTA	\$ 144,579	1.102% \$ 1,593
MWRA - Water	1,036,480	3.950% 40,941
MWRA - Sewer	3,220,751	2.960% <u>95,334</u>
Total		<u>\$ 137,868</u>

F. Legal Debt Margin

The Town is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the Town may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 2000 (in thousands of dollars):

Equalized valuation - January 1, 1998		\$ <u>4,233,537</u>
Debt limit - 5% of equalized valuation		\$ 211,677
Total debt outstanding	68,752	
Less debt exempt from limit	(21,596)	(<u>47,156</u>)
Debt subject to limit		164,521
Bonds authorized and unissued	60,937	
Less outside limit	(<u>-</u>)	(<u>60,937</u>)
Legal Debt Margin		\$ <u>103,584</u>

G. Changes in General Long-Term Liabilities

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the general long-term debt account group (in thousands):

	Balance July 1, 1999	Additions	Reductions	Balance June 30, 2000
General obligation debt	\$ 52,198	\$ 19,200	\$ (3,883)	\$ 67,515
Capital lease obligation	<u>161</u>	<u>-</u>	(<u>69</u>)	<u>92</u>
Total	\$ <u>52,359</u>	\$ <u>19,200</u>	\$ (<u>3,952</u>)	\$ <u>67,607</u>

18. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2003. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2000:

2001	\$ 45,328
2002	39,158
2003	<u>14,100</u>
Total minimum lease payments	98,586
Less amount representing interest	(<u>6,263</u>)
Present Value of Minimum Lease Payments	\$ <u>92,323</u>

19. Contributed Capital

Contributed capital consists of funding provided to proprietary funds for facility construction from Federal, State and municipal sources. Changes in contributed capital for the year ended June 30, 2000 were as follows (in thousands):

	<u>Balance July 1, 1999</u>	<u>Adjust. to Begin. Bal.</u>	<u>Additions</u>	<u>Deprec. and Disposals</u>	<u>Balance June 30, 2000</u>
Enterprise Funds:					
Water	\$ 18,548	\$ -	\$ 232	\$ (402)	\$ 18,378
Sewer	8,503	-	222	(362)	8,363
Arena	-	559	-	(11)	548
Total	\$ <u>27,051</u>	\$ <u>559</u>	\$ <u>454</u>	\$ <u>(775)</u>	\$ <u>27,289</u>

The beginning balance in contributed capital has been restated to include Arena fund fixed assets previously omitted.

20. Reserves of Fund Equity

The Town has established "reserves" of fund equity to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town reported the following types of reserves at June 30, 2000:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Endowments - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

21. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

The Massachusetts State Legislation allowed municipalities to defer funding for a portion of the 1992 and 1993 teachers summer pay to future years. This must be funded within a 15 year period, beginning in 1997.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation or are assessed by the State. All such overexpenditures, however, must be funded in the subsequent year's tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 1,114,185
Teacher pay deferral	2,188,536
Tax refund estimate	1,877,642
State charges under assessed	<u>43,280</u>
Statutory (UMAS) Balance	\$ <u>5,223,643</u>

22. Beginning Fund Balance Restatement

The beginning (July 1, 1999) fund balance of the Town has been restated as follows:

	<u>Enterprise Funds</u>
As previously reported	\$ 17,774,389
To correct for capital costs omitted from Arena fixed assets	<u>400,028</u>
As restated	\$ <u>18,174,417</u>

23. Segment Information for Enterprise Funds

The Town maintains enterprise funds which provide water, sewer and ice arena services. Segment information for the year ended June 30, 2000 follows (in thousands):

	<u>Ice Arena</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 329	\$ 10,408	\$ 5,796	\$ 16,533
Depreciation expense	30	558	590	1,178
Operating income (loss)	(117)	(262)	(263)	(642)
Net income (loss)	(109)	(276)	(309)	(694)
Depreciation on assets acquired with contri- buted capital	11	362	379	752
Increase (decrease) in retained earnings	(42)	86	70	114
Fixed asset additions	38	667	752	1,457
Total assets	970	20,050	26,358	47,378
Long-term obligations	-	786	451	1,237
Total equity	967	19,107	25,503	45,577

24. Subsequent Events

Subsequent Budget Authorization

The financial statements for the Town as of June 30, 2000 do not reflect the fiscal 2001 annual budget authorized in April 2000. The amount authorized in April (all funds) totaled \$ 155,070,080. Subsequent to year end, the Town authorized an additional \$ 2,294,735 in fiscal year 2000 appropriations.

25. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

26. Post-Retirement Health Care and Life Insurance Benefits

The Town's employee contracts provide for health care and life insurance benefits to retirees, their dependent, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees.

The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2000 was not available.

27. Contributory Retirement System

A. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

B. Plan Description and Contribution Information

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Framingham Contributory Retirement System (FCRS), a cost sharing, multiple employer PERS. Eligible employees must participate in the FCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the FCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The FCRS Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at January 1, 2000, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	793
Terminated plan members entitled to but not yet receiving benefits	123
Active plan members	<u>1,114</u>
Total	<u>2,030</u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participants date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The Town's current year covered payroll for teachers was \$ 36,466,828.

In fiscal year 2000, the Commonwealth of Massachusetts contributed \$ 11,369,632 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues reported on page 4.

28. Self Insurance

The Town self insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for up to \$ 75,000 per incident, with a maximum lifetime coverage of \$ 2,000,000. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2000 are as follows:

Claims liability, July 1, 1999	\$ 4,043,154
Claims incurred/recognized in fiscal year 2000	15,705,481
Claims paid in fiscal year 2000	(17,078,737)
Claims liability, June 30, 2000	\$ <u>2,669,898</u>

29. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and *have been no material settlements in excess of coverage in any of the past three fiscal years.*

TOWN OF FRAMINGHAM, MASSACHUSETTS

SUPPLEMENTARY SCHEDULE

Combining Balance Sheet
All Enterprise Funds

June 30, 2000

ASSETS	Ice Arena	Sewer	Water	Total
Cash and cash equivalents	\$ 3,437	\$ 2,492,844	\$ 2,432,280	\$ 4,928,561
Receivables:				
Tax liens and foreclosures	-	393,449	209,704	603,153
Utility, net	-	3,099,797	1,884,307	4,984,104
Fixed assets, net	966,436	12,849,002	21,610,470	35,425,908
Construction in progress	-	1,214,539	221,851	1,436,390
Total Assets	\$ <u>969,873</u>	\$ <u>20,049,631</u>	\$ <u>26,358,612</u>	\$ <u>47,378,116</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Warrants payable	\$ 407	\$ 144,703	\$ 93,019	\$ 238,129
Accrued payroll	2,833	12,450	22,372	37,655
Refunds payable	-	-	288,699	288,699
Bonds payable	-	785,356	451,242	1,236,598
Total Liabilities	3,240	942,509	855,332	1,801,081
Fund Equity:				
Contributed capital	548,076	8,362,467	18,378,106	27,288,649
Retained earnings	418,557	9,826,867	5,856,324	16,101,748
Reserved for encumbrances	-	917,788	1,268,850	2,186,638
Total Fund Equity	<u>966,633</u>	<u>19,107,122</u>	<u>25,503,280</u>	<u>45,577,035</u>
Total Liabilities and Fund Equity	\$ <u>969,873</u>	\$ <u>20,049,631</u>	\$ <u>26,358,612</u>	\$ <u>47,378,116</u>

See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS

SUPPLEMENTARY SCHEDULE

Statement of Revenues, Expenses and
Changes in Retained Earnings - All Enterprise Funds

For the Year Ended June 30, 2000

	<u>Ice Arena</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:				
User charges	\$ 329,573	\$ 10,407,913	\$ 5,795,981	\$ 16,533,467
Total Operating Revenue	329,573	10,407,913	5,795,981	16,533,467
Operating Expenses:				
Salary and wages	189,066	792,787	1,174,125	2,155,978
Operating expenses	93,359	548,137	466,067	1,107,563
Depreciation	30,772	557,821	589,844	1,178,437
Intergovernmental	-	7,699,638	3,106,860	10,806,498
Indirect costs	120,326	744,552	721,439	1,586,317
Other expenses	13,432	327,261		340,693
Total Operating Expenses	446,955	10,670,196	6,058,335	17,175,486
Operating income/(loss)	(117,382)	(262,283)	(262,354)	(642,019)
Nonoperating Income (Expense):				
Investment income	18,039	71,124	-	89,163
Interest expenses	(9,952)	(84,719)	(40,034)	(134,705)
Loss on disposition of fixed assets	-	-	(6,667)	(6,667)
Total Nonoperating Income (Expense)	8,087	(13,595)	(46,701)	(52,209)
Net income (loss)	(109,295)	(275,878)	(309,055)	(694,228)
Depreciation on assets required with contributed capital	11,300	361,660	378,917	751,877
Operating transfer in	56,320	-	-	56,320
Increase (decrease) in retained earnings/ fund equity	(41,675)	85,782	69,862	113,969
Retained Earnings, beginning of year, restated	460,232	10,658,873	7,055,312	18,174,417
Retained Earnings, end of year	\$ 418,557	\$ 10,744,655	\$ 7,125,174	\$ 18,288,386

See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

Schedules of Funding Progress and Employer Contributions

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b - a)/c]
1/01/91	\$ 40,645	\$ 92,433	\$ 51,788	44.0%	\$ 27,351	189%
1/01/95	\$ 62,360	\$ 122,220	\$ 59,860	51.0%	\$ 29,168	205%
1/01/98	\$ 105,941	\$ 156,983	\$ 54,042	67.5%	\$ 33,120	163%
1/01/00	\$ 147,572	\$ 181,149	\$ 33,577	81.0%	\$ 39,871	84%

Information is only provided for those years in which an actuarial valuation or actuarial update was performed. Information prior to 1991 is not available.

Schedule of Employer Contributions (Town share only):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1992	\$ 4,869,897	100%
1993	5,378,958	100%
1994	5,663,861	100%
1995	6,805,493	100%
1996	6,195,869	100%
1997	6,449,439	100%
1998	6,655,700	100%
1999	6,945,980	100%
2000	6,888,019	100%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2000
Actuarial cost method	Entry age, normal cost
Amortization method	Level payments for early retirement incentive liability and approximate level percent of payroll for remaining unfunded liability
Remaining amortization period	3.5 years from July 1, 1998 for early retirement incentive liability and 28 years from July 1, 1998 for remaining unfunded liability

Asset valuation method

Fixed income securities and international investments at book value and all other investments at market value

Actuarial assumptions:

Investment rate of return

8%

Projected salary increases

6%

Cost of living adjustments

3% of \$ 12,000 per year of retirement income (included in January 1, 1998 figures)

See Independent Auditors' Report.